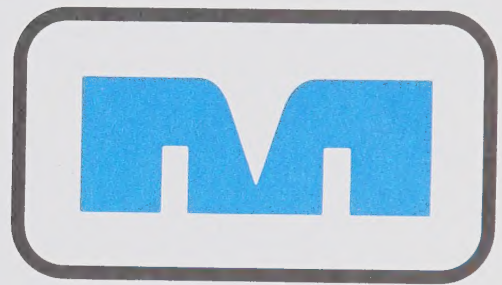

ROBERT MORSE
CORPORATION LIMITED
ANNUAL REPORT
1973



FINANCIAL SUMMARY

	<u>1973</u>	<u>1972</u>
Net Sales	\$118,722,695	\$103,828,981
Income (Loss) Before Taxes and Extraordinary Items	2,516,710	(511,950)
Income Taxes	1,396,000	108,923
Income (Loss) Before Extraordinary Items	1,120,710	(620,873)
Extraordinary Items	280,143	(830,238)
Net Income (Loss).	1,400,853	(1,451,111)
Earnings per Share		
Before Extraordinary Items		
Class A	.88	(1.18)
Class B	.78	(1.18)
After Extraordinary Items		
Class A	1.20	(2.15)
Class B	1.10	(2.15)
Working Capital	12,020,542	11,586,185
Shareholders' Equity	15,862,794	15,026,739

TRANSFER AGENTS

The Royal Trust Company

The First National Bank of Chicago

As the figures on the opposite page indicate, the company returned to the black in 1973.

This improvement was due in part to the progress made in correcting some of the operating problems described in the 1972 annual report to shareholders. If the company can continue to rectify these operating difficulties and if no unforeseen problems arise—including those which may result from the energy crisis or possibly adverse economic conditions—profit levels should continue to improve.

Among remedial actions taken were the sale of marginal divisions in Canada and South Africa and the discontinuance of unprofitable manufacturing operations in France. Shortly after the year's end, steps were taken to close a profitless scale plant in Australia. These actions will permit management to concentrate on the more productive elements of the business.

The Canadian operating companies—CESSCO, Canadian Distribution Division and Galbraith & Sulley—accounted for nearly half the sales and almost all of the net earnings.

The results of the two major United States-based divisions—Howe Richardson Scale Company and Johnston Pump Company—were disappointing. However, corrective actions in each company—including changes in general management—should improve their profit performances in 1974 and beyond.

Overall financial results were hampered by rising costs, increased interest on borrowings and on growing shortages of steel plate, plastics and other materials used in major product lines. These conditions are likely to continue through 1974.

To provide funds to reduce short and long-term borrowings, we do not anticipate dividends will be paid in the near future on Class A or Class B shares without nominal or par value. We expect to continue dividends on Series A and Series B preferred shares.

In February 1974, Aerojet-General Corporation made an offer to purchase all the outstanding Class A and Class B shares for \$18.50 per share. At the time of the offer, Aerojet held 67 percent of the Class A and 91 percent of the Class B.

By the Board of Directors

W. R. HECKMAN

N. E. JOHANNSEN

R. B. KATKOV

E. A. LOWE, JR.

J. H. VOLLBRECHT

CESSCO, a leading supplier to the oil and gas industry in Western Canada, showed an improvement in financial results despite the problems of material shortages and rising costs. Continued improvement is expected in 1974.

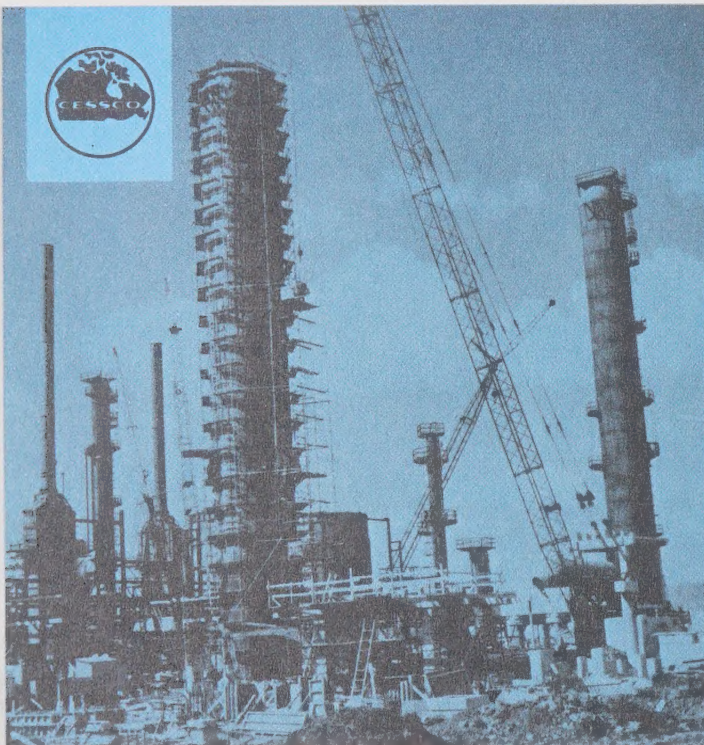
Demand for fabricated steel pressure vessels, coal bunkers and other large containers grew in 1973, but the supply of plate was a problem and this condition is expected to continue in 1974.

A dropoff in pipeline construction reduced the

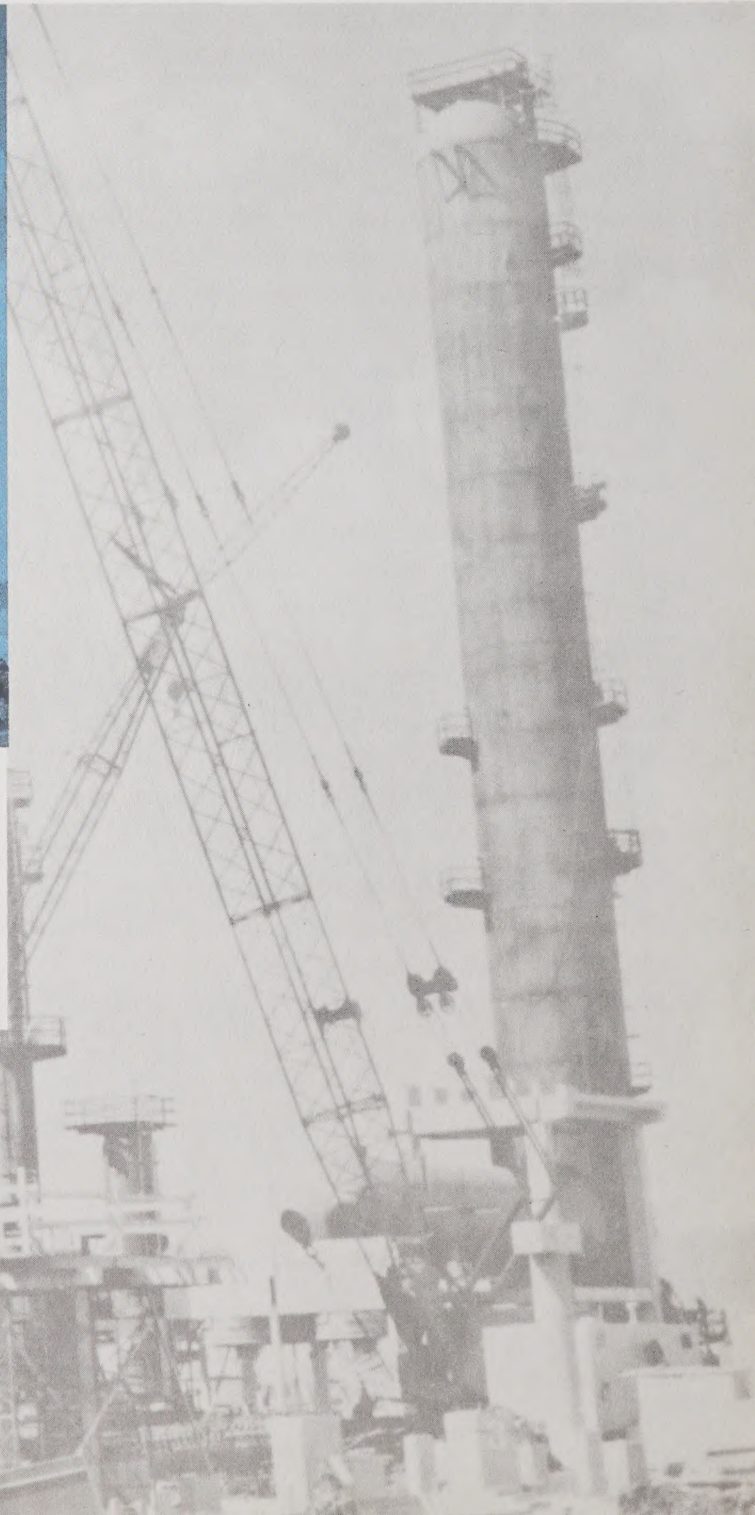
demand for supplies sold to this market, but this was partially offset by increased sales of pipeline maintenance equipment.

In the construction field, sales improvement reflected increasing acceptance of plastic piping materials of the kind handled by CESSCO.

Sales of gas plant production equipment continued strong in 1973, despite uncertainty in prices and availability of materials, a condition that is expected to continue in 1974.



Field erection of large vessels is an important part of CESSCO activity, including 28 vessels built for a major Western Canadian refinery. The tower on the left weighs 839,950 pounds, is 19 feet, six inches in diameter, 162 feet high and was fabricated from 1-3/8 steel plate. The tower on the right weighs 864,300 pounds, is 17 feet, six inches in diameter, 188 feet high and was fabricated from 1-1/8 plate.



Earnings for this division were sharply higher in 1973. Some of this rise was attributable to a solid gain in the sales of forestry equipment in Eastern Canada. Also, 1972 performance had been depressed by losses that were incurred in closing down Western Canada forestry equipment operations.

Sales generally were stronger because of a resurgence in the demand for capital equipment, due in part to the faster writeoffs allowed on certain manufactured equipment and also to an improved economic climate in Canada.

While the demand for company products is expected to continue firm, difficulties are developing in obtaining deliveries. The energy situation is also expected to slow down the production of equipment and components.

Despite these drawbacks, however, the division's outlook is optimistic and continuing improvement in sales and earnings is anticipated for the coming year.



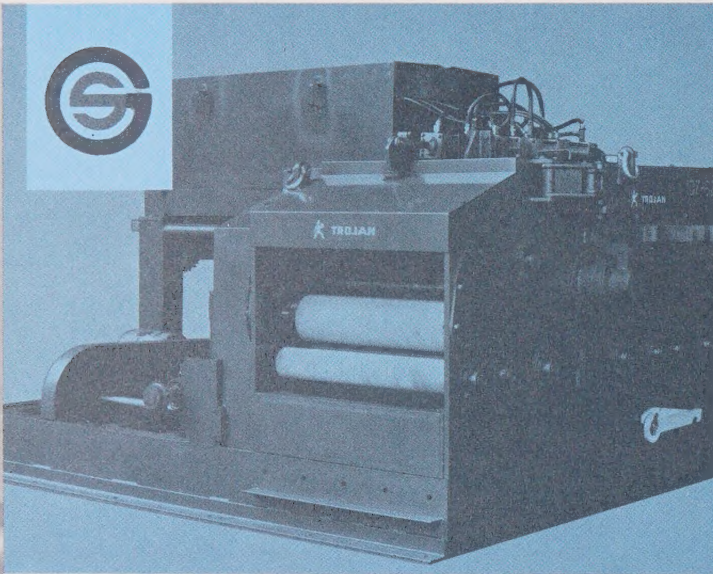
Volvo BM Tree Processor supplied by Morse to major forestry operations. Trees are fed into one end, delimbed and slashed into 8 foot long bolts for the sawmill or pulp at an average of 120 trees per hour with a single operator.



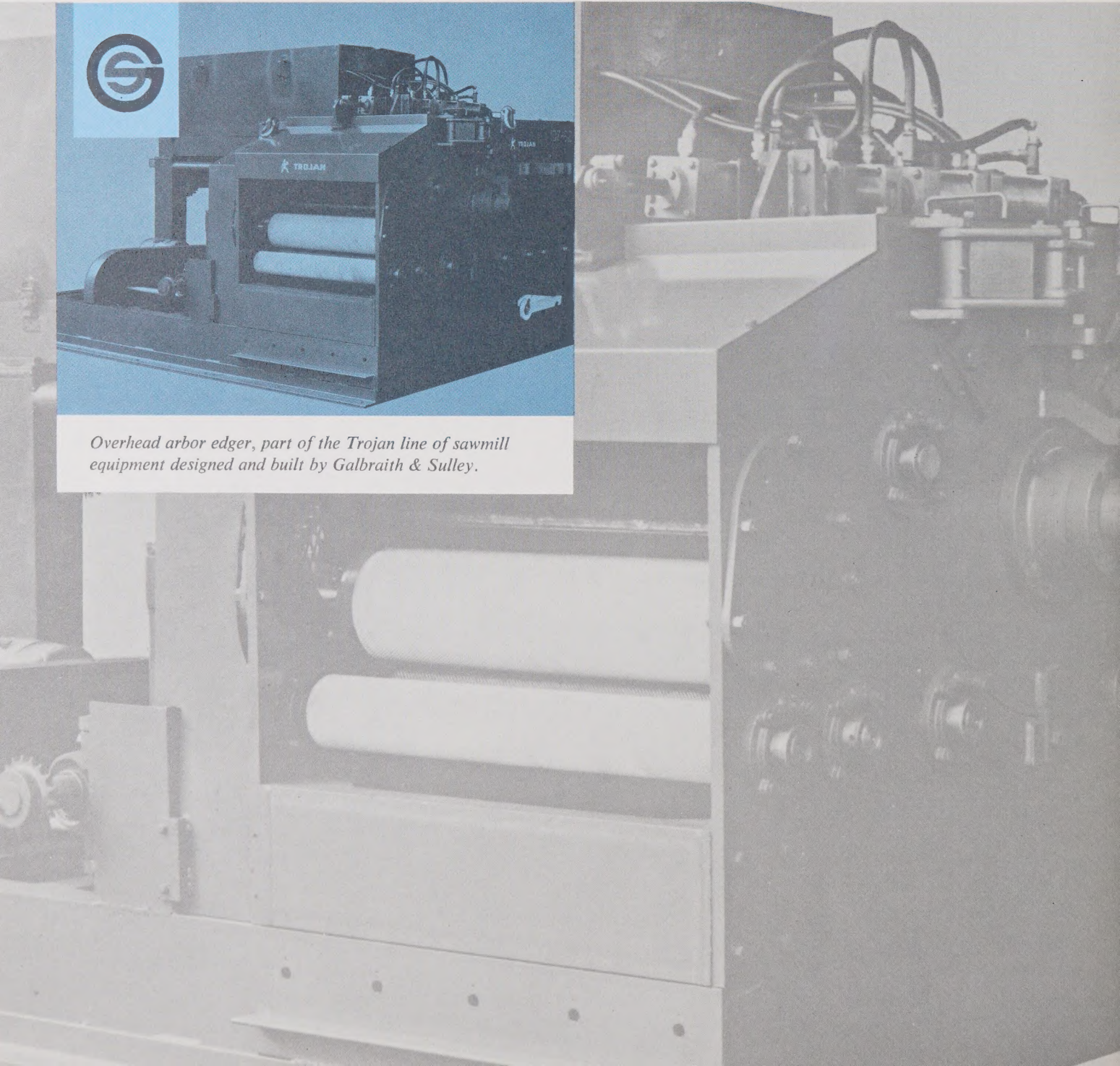
Galbraith & Sulley, which designs and builds sawmill machinery and distributes sawmill equipment made by other firms, had improved sales and earnings for 1973.

The increase in sales included the wide acceptance of Finnish "Valon Kone" debarkers. Sales of the G&S line of Trojan sawmill machinery also increased.

Economic conditions in the Province of British Columbia, where Galbraith & Sulley is headquartered and does most of its business, continue to be good, but a lower level of business may result in the second half of 1974 due to general material shortages.



Overhead arbor edger, part of the Trojan line of sawmill equipment designed and built by Galbraith & Sulley.



CLIFTON, NEW JERSEY

WILLIAM J. LIFKA, JR., PRESIDENT

Priority was given in 1973 to corrective steps to restore Howe Richardson to a soundly profitable condition.

In the United States, major executive replacements were made to give the company new leadership. Marketing and engineering functions were restructured, and unprofitable product lines were dropped.

Abroad, steps were taken to unify separate scale companies in England, Germany and France into an

associated group. The object: to optimize benefits from similarly operated companies selling complementary product lines in different marketing territories.

In addition, a marginal scale operation in South Africa was sold, and an unpromising scale business is being shut down in Australia. Manufacturing activities of the company in France were curtailed and the organization was reshaped to serve primarily as a marketing organization for the European group.



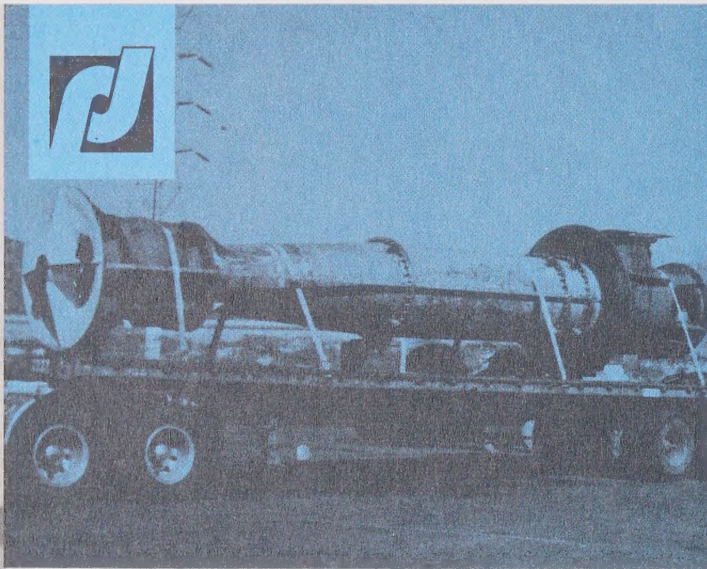
Final assembly of Howe Richardson's G-17, widely used as an inexpensive, highly reliable and simple to operate gross bagging scale for free-flowing types of granular products.



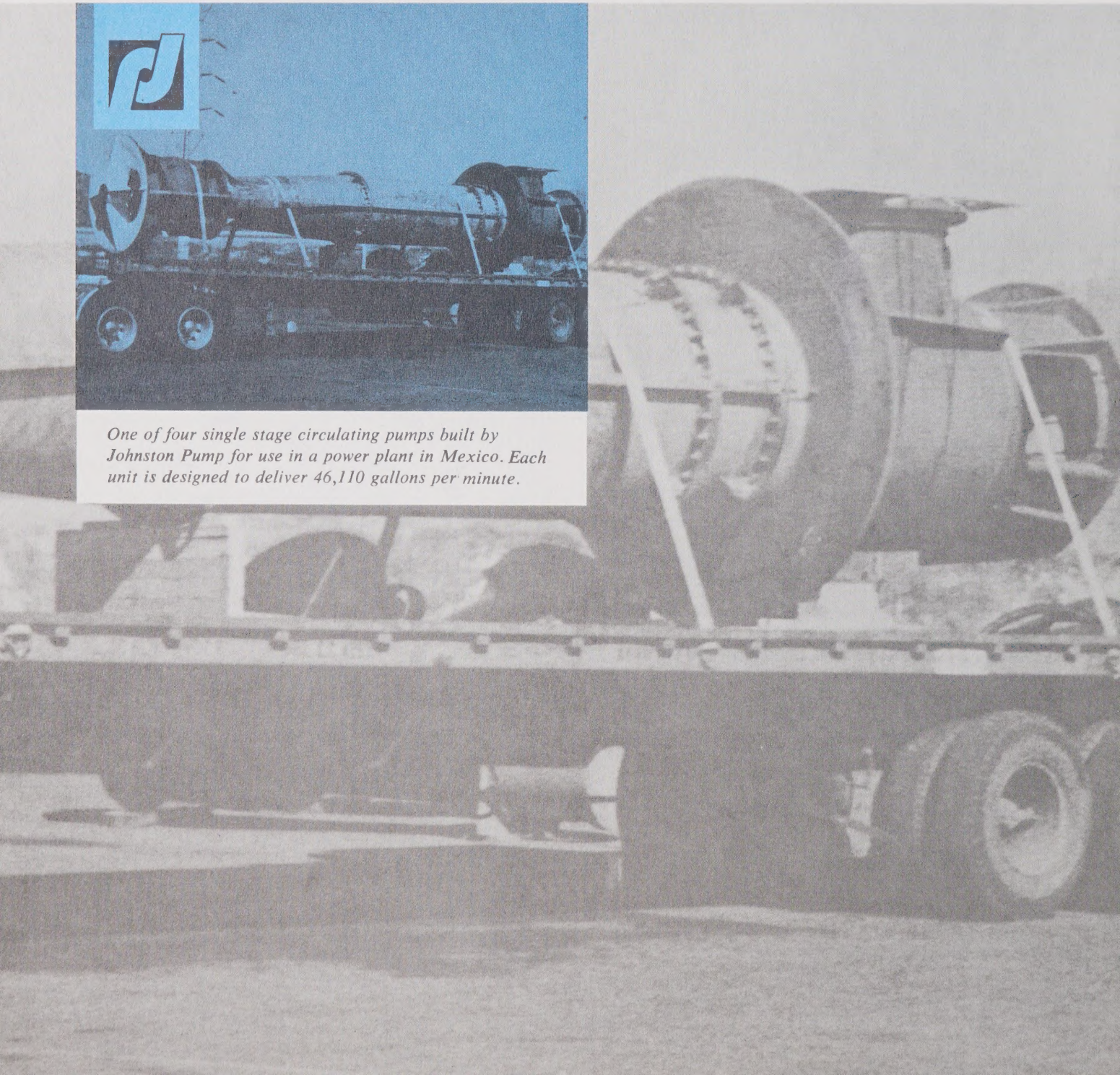
During the year, Johnston Pump directed its major efforts toward strengthening the internal organization and building the base deemed necessary to assure long term profit growth.

A new president was appointed in August and an experienced top management team was formed. Corrective actions completed in 1973, when coupled with those currently under way, should result in satisfactory operating results in 1974 and beyond.

The backlog of business is of good quality and the demand for pumps is strong.



One of four single stage circulating pumps built by Johnston Pump for use in a power plant in Mexico. Each unit is designed to deliver 46,110 gallons per minute.



FIVE YEAR REVIEW

(IN THOUSANDS OF DOLLARS EXCEPT FOR PER SHARE DATA)

<u>OPERATING RESULTS</u>	<u>1973</u>	<u>1972</u>	<u>1971*</u>	<u>1970*</u>	<u>1969*</u>
Net Sales	\$118,723	\$103,829	\$ 96,983	\$107,667	\$119,053
Income (Loss) Before Taxes and Extraordinary Items	2,517	(512)	1,724	1,996	3,533
Income Taxes	1,396	109	910	1,548	2,147
Income (Loss) Before Extraordinary Items	1,121	(621)	814	448	1,386
Extraordinary Items	280	(830)	—	(701)	—
Net Income (Loss)	1,401	(1,451)	814	(253)	1,386
Preferred Share Dividends	392	392	392	392	393
Class A and B Share Dividends	—	431	832	832	828
Depreciation	1,246	1,059	1,056	1,106	1,046
<u>FINANCIAL POSITION</u>					
Working Capital	12,021	11,586	14,137	13,366	16,501
Total Assets	56,627	59,035	56,167	58,332	62,885
Long-Term Debt	6,093	6,926	6,194	5,173	6,966
Shareholders' Equity	15,863	15,027	17,472	18,053	19,717
<u>SHAREHOLDER INFORMATION</u>					
Per Share					
Earnings (Loss)					
<u>Before Extraordinary Items</u>					
Class A	0.88	(1.18)	0.70	0.09	1.19
Class B	0.78	(1.18)	—	—	1.09
<u>After Extraordinary Items</u>					
Class A	1.20	(2.15)	0.70	(0.75)	1.19
Class B	1.10	(2.15)	—	(0.75)	1.09
Dividends					
Preferred A	2.75	2.75	2.75	2.75	2.75
Preferred B	2.75	2.75	2.75	2.75	2.75
Class A	—	0.52½	1.00	1.00	1.00
Class B	—	0.45	0.90	0.90	0.90
Shareholders' Equity—					
Class A	10.45	9.27	12.07	12.75	14.69
Class B	9.58	9.10	12.07	12.75	14.69
<u>AVERAGE SHARES OUTSTANDING</u>					
Class A	603,000	603,000	603,000	603,000	599,000
Class B	254,000	254,000	254,000	254,000	254,000

*Restated to reflect prior years' adjustments.

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31,	
	1973	1972
Current Assets:		
Cash	\$ 2,290,428	\$ 4,113,958
Accounts and notes receivable	20,842,596	21,119,491
Income taxes recoverable	214,009	889,616
Inventories (Note 1)		
Finished products, manufactured or purchased	10,720,298	10,620,709
Work-in process	4,854,189	4,608,314
Raw materials and supplies	4,373,550	4,770,170
	<u>19,948,037</u>	<u>19,999,193</u>
Prepaid expenses	567,269	633,916
Deferred future income tax benefits (Note 1)	1,061,768	—
	<u>44,924,107</u>	<u>46,756,174</u>
Fixed assets, at cost		
Land	870,331	1,059,237
Buildings	6,652,902	6,757,254
Plant and equipment	<u>12,518,161</u>	<u>12,205,957</u>
	20,041,394	20,022,448
Less: Accumulated depreciation	<u>10,279,781</u>	<u>9,693,324</u>
	9,761,613	10,329,124
Premium on shares of subsidiaries at cost, less amounts written off (Note 1)	1,941,625	1,949,982
	<u>\$ 56,627,345</u>	<u>\$ 59,035,280</u>

LIABILITIES

Current Liabilities:		
Bank indebtedness (Note 4)	\$ 13,876,372	\$ 17,082,157
Trade and other accounts payable	16,285,633	16,486,766
Income taxes payable (Note 8)	1,712,411	332,350
Long term debt due within one year (Note 5)	<u>1,029,149</u>	<u>1,268,716</u>
	32,903,565	35,169,989
Deferred income taxes	725,513	829,817
Long-term debt (Note 5)	6,092,570	6,926,484
Unfunded pension liability (Note 9)	1,033,223	1,025,605
Minority interest in subsidiaries	9,680	56,646
Shareholders' equity:		
Capital stock (Note 6) —		
Authorized —		
200,000 preferred shares of the par value of \$50 each, issuable in series		
4,000,000 Class A shares without nominal or par value		
2,000,000 Class B shares without nominal or par value		
Issued —		
5-1/2% cumulative redeemable convertible preferred shares —		
70,540 Series A shares	3,527,000	3,527,000
72,000 Series B shares	3,600,000	3,600,000
Shares without nominal or par value —		
602,807 Class A shares }		
254,135 Class B shares }	<u>3,785,606</u>	<u>3,785,606</u>
	10,912,606	10,912,606
Retained earnings (Note 7)	4,950,188	4,114,133
	<u>15,862,794</u>	<u>15,026,739</u>
	<u>\$ 56,627,345</u>	<u>\$ 59,035,280</u>

APPROVED BY THE BOARD

R. B. Katkov, Director
N. E. Johannsen, Director

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,	
	1973	1972
Net sales	\$118,722,695	\$103,828,981
Income from operations for the year before the undernoted items . . .	\$ 5,729,040	\$ 2,153,898
Interest (including \$518,736 and \$429,083 on long-term debt)	1,962,506	1,599,226
Depreciation	1,245,824	1,059,268
Minority interest	4,000	7,354
	<u>3,212,330</u>	<u>2,665,848</u>
Income (Loss) before income taxes and extraordinary items	2,516,710	(511,950)
Income Taxes —		
Current	2,562,072	(151,031)
Deferred	(1,166,072)	259,954
	<u>1,396,000</u>	<u>108,923</u>
Income (Loss) before extraordinary items	1,120,710	(620,873)
Extraordinary Items (Note 3)	280,143	(830,238)
Net Income (Loss)	<u>\$ 1,400,853</u>	<u>\$ (1,451,111)</u>
Earnings per share (Note 1):		
Income (Loss) before		
Extraordinary items —		
Class A	\$.88	\$ (1.18)
Class B	\$.78	\$ (1.18)
Net Income (Loss)		
Class A	\$ 1.20	\$ (2.15)
Class B	\$ 1.10	\$ (2.15)

There would be no significant dilution in earnings per share if all conversion privileges and the warrant described in Note 6 were exercised.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Balance at beginning of year:		
As previously reported	\$ 4,114,133	\$ 6,854,957
Prior years' pension adjustment.	—	295,183
As restated	4,114,133	6,559,774
Net income (Loss) for the year	1,400,853	(1,451,111)
	<u>5,514,986</u>	<u>5,108,663</u>
Payment of guarantee price in respect of share		
purchase warrant (Note 6)	172,813	171,711
	<u>5,342,173</u>	<u>4,936,952</u>
Dividends:		
Series A preferred \$2.75 per share	193,985	193,985
Series B preferred \$2.75 per share	198,000	198,000
Class A — \$.52½ per share in 1972	—	316,473
Class B — \$.45 per share in 1972	—	114,361
	<u>391,985</u>	<u>822,819</u>
Balance at end of year	<u>\$ 4,950,188</u>	<u>\$ 4,114,133</u>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31	
	1973	1972*
Financial Resources Were Provided By:		
Operations —		
Income (Loss) before extraordinary items	\$ 1,120,710	\$ (620,873)
Depreciation	1,245,824	1,059,268
Deferred income taxes	(104,304)	259,954
Working capital provided by operations	2,262,230	698,349
Extraordinary items, less premium on shares of subsidiaries written off	288,500	(564,781)
Proceeds of borrowings	375,500	2,001,084
Increase in unfunded pension liability	7,618	102,370
Prior years' pension adjustment	—	295,183
Total	2,933,848	2,532,205
Financial Resources Were Used For:		
Additions to fixed assets, net	678,313	2,745,889
Portion of long term debt becoming current	1,209,414	1,268,716
Cash dividends paid	391,985	822,819
Payment of guarantee price in respect of share purchase warrant (Note 6)	172,813	171,711
Other	46,966	73,420
Total	2,499,491	5,082,555
Increase (decrease) in working capital	\$ 434,357	\$ (2,550,350)
Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash	\$ (1,823,530)	\$ 3,005,948
Accounts receivable	(276,895)	(1,608,988)
Income taxes recoverable	(675,607)	807,324
Inventories	(51,156)	(785,775)
Prepaid expenses	(66,647)	(51,922)
Deferred future income tax benefits	1,061,768	—
	(1,832,067)	1,366,587
Less increase (decrease) in current liabilities—		
Bank indebtedness	(3,205,785)	(1,102,274)
Trade and other accounts payable	(201,133)	5,150,375
Income taxes payable	1,380,061	(466,106)
Long term debt due within one year	(239,567)	334,942
	(2,266,424)	3,916,937
Increase (decrease) in working capital	\$ 434,357	\$ (2,550,350)

*After minor reclassifications for purposes of comparability.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – Summary of Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and those of all of its subsidiary companies. Intercompany transactions are eliminated.

Accounts of foreign subsidiaries are translated into Canadian dollar equivalents at rates of exchange in effect at the year end except (a) long-term assets, liabilities and the depreciation provision are translated at rates prevailing at dates the assets were acquired or the obligations were incurred, and (b) income and expenses (other than depreciation) are translated at the average rates of exchange in effect during the year. Translation gains or losses are charged or credited to income.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Depreciation

Depreciation is generally provided on the straight-line method over the estimated useful lives of the assets.

Maintenance and repair costs are charged to expense as incurred. The cost of renewals and betterments are added to the fixed asset accounts.

Fixed assets retired, or otherwise disposed of, are eliminated from the asset and accumulated depreciation accounts. Gains and losses from disposals are included in earnings.

Premium on Shares of Subsidiaries

Premium on shares of subsidiaries represents the excess of the cost of investments over the Company's equity in subsidiaries, less amounts written off at the discretion of management pertaining principally to unprofitable companies or companies that have discontinued operations. Management has not established a formalized amortization policy but writes off premiums as it becomes evident the underlying value no longer exists.

Research and Development Costs

Research and development costs are charged against income as incurred.

Income Taxes

Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between book and tax income. Deferred income taxes result principally from utilization of differing methods of depreciation for income tax and financial statement reporting purposes. Deferred future income tax benefits result principally from the recognition of charges for financial statement purposes that are not currently deductible for income tax purposes.

Earnings per Share

Earnings per share are calculated to reflect the dividend priorities attaching to Class A and Class B shares, irrespective of the extent to which dividends may actually have been declared.

NOTE 2 – Change in Ownership:

On July 26, 1972 Aerojet-General Corporation (now a wholly-owned subsidiary of The General Tire & Rubber Co.) acquired 86.82% of the Class B shares, representing 25.75% equity in the underlying net assets applicable to Class A and B shares of the Company. On January 8, 1974 Aerojet acquired 66.80% of Class A shares and an additional 4.25% of Class B shares, which increased its equity to 74.04% in the underlying net assets applicable to Class A and B shares.

NOTE 3 – Extraordinary Items:

	1973	1972
Provision for losses to be incurred in realigning certain subsidiaries (\$625,000)		(\$400,000)
Premium on shares of subsidiaries written off (Note 1)	(8,357)	(265,457)
Income tax reduction resulting from utilization of prior years' tax losses	913,500	--
Plant abandonment relating to a relocation of operations (net of income taxes of \$152,332)	--	(164,781)
	<u>\$280,143</u>	<u>(\$830,238)</u>

NOTE 4 – Bank Indebtedness:

Bank indebtedness, which includes bankers' acceptances of \$3,500,000 in 1973 and \$3,000,000 in 1972, is secured to the extent of \$10,416,882 in 1973 and \$11,546,507 in 1972 mainly by shares of subsidiary companies held as collateral.

NOTE 5 – Long-term Debt:

	1973	1972
Note* payable in semi-annual instalments including interest of U.S. \$91,386 to 1990 (effective interest rate of 5.15%)	2,285,863	2,373,037
Note* payable in semi-annual instalments of U.S. \$126,183 including interest to 1975 (effective interest rate 5.15%)	494,328	734,192
Bank loans** payable in semi-annual instalments of U.S. \$200,000 to 1976 (interest ½% above bank base rate)	1,200,600	1,601,248
6½% mortgage loan* payable in quarterly instalments of U.S. \$32,175 to 1987	1,345,679	1,395,099

NOTE 5 — Long-term debt (continued)

Bank loan* of German DM 2,500,000 repayable 1977 through 1979 with interest at 1½% over London Interbank, adjusted upon renewal or draw- downs of Notes	844,310	468,810
German DM 1,000,000 balance of purchase agreement* payable 1974 to 1975 (interest 1% above the bank's UK base rate)	343,770	779,981
Bank loan* payable in quarterly instalments of German DM 37,000 to 1979 (interest rate 7%)	281,540	318,472
Bank loan* of German DM 600,000 revolving credit renegotiable semi-annually through 1977 (interest at 12/31/73 - 11%)	184,320	307,200
Other term obligations payable before 1982	141,309	217,161
	<u>7,121,719</u>	<u>8,195,200</u>
Less: Amount due within one year, included with current liabilities	<u>1,029,149</u>	<u>1,268,716</u>
	<u>\$6,092,570</u>	<u>\$6,926,484</u>

*Secured by collateral mortgages or trust deeds against
certain fixed assets

** Secured by pledge of outstanding capital stock of
a subsidiary

NOTE 6 — Capital Stock:**Preferred Shares**

The 5-1/2% cumulative redeemable convertible preferred shares are redeemable at any time, at the Company's option, at par.

Class A and Class B Shares

The holders of Class A shares are entitled to cumulative dividends at the rate of 70 cents per share per annum, payable in equal quarterly instalments of 17-1/2 cents per share each. After provision for all such cumulative dividends accrued on the Class A shares, non-cumulative quarterly dividends up to 15 cents per share may be paid on the Class B shares. After dividends paid on the Class B shares in any fiscal year have aggregated 60 cents per share, the Class A shareholders are entitled to participate equally with the holders of Class B shares in such further amounts per share as may be declared. The Class A shares are non-voting unless arrears of cumulative dividends aggregate \$1.40 per share, at which time the Class A shareholders have voting rights on the basis of one vote for each Class A share and shall be entitled, voting separately and as a class, to elect one-third of the total number of the directors of the Company or the next lower whole number if the authorized number of directors is not divisible by three. Dividends have been omitted on the Class A and Class B

shares since and including the dividends normally payable on December 1, 1972. At December 31, 1973 the total arrears of cumulative dividends on the Class A shares amounted to 87-1/2 cents per share, or \$527,456 (\$105,590 in 1972).

The Company may purchase for cancellation any or all of the outstanding Class A shares by invitation for tenders addressed to all holders or in the open market, after having notified vendors that the Company is the purchaser.

Conversion privileges and warrant

The conversion privilege attached to the Series A preferred shares entitles the holders thereof to convert each preferred share at any time into 2-1/2 Class A shares upon payment to the Company of \$7.50 for each preferred share converted.

The conversion privilege attached to the Series B preferred shares entitles the holders thereof to convert each preferred share at any time into 2 Class A shares upon payment to the Company of \$2.00 for each preferred share converted.

In 1962 the Company issued a warrant, exercisable to December 31, 1971, for the purchase of up to 150,000 Class A shares of the Company at a price of U.S. \$10 per share. In 1968 the terms of this warrant were amended so as to provide for the annual exercise of the rights under the warrant, commencing in 1969, to the extent of 2% of the aggregate number of Class A and Class B shares outstanding at the previous year end. In consideration for the amendment of the warrant, the Company has given its original holder a non-transferable guarantee of a net price, upon sale or transfer of any part of the warrant, equal to not less than the difference between \$20 Canadian and the Canadian equivalent of U.S. \$10 per share. In 1973 rights with respect to 17,139 Class A shares were cancelled upon payment by the Company to the holder of the warrant of \$172,813 representing the guaranteed price with respect to such shares. This payment has been charged to retained earnings. To December 31, 1973 rights with respect to 85,483 Class A shares have been exercised or cancelled and, in accordance with the provisions of the warrant, 17,139 Class A shares will be issued in 1974 or rights to such shares not issued will be cancelled upon payment of the guarantee.

Reservation of shares**Class A shares are reserved as follows:**

For conversion privilege attached to Series A preferred shares	176,350
For conversion privilege attached to Series B preferred shares	144,000
For warrant issued in 1962 exercisable at U.S. \$10 per share	64,517
For issue to Trustees of the Company's Stock Purchase Plan at a price to be determined at date of issue	<u>5,000</u>
Total Class A shares reserved	<u>389,867</u>

NOTE 7 — Retained Earnings:

Under the provisions attached to the Series A and Series B preferred shares, \$226,883 of retained earnings at December 31, 1973 is available for payment of dividends in arrears on Class A shares or for purchase for cancellation of Class A shares.

NOTE 8 — Income Tax:

Two United States subsidiaries have received notices of proposed income tax deficiencies relating to management fees and other inter-company charges for the years 1964-1971, inclusive. Similar items are present in the years 1972 and 1973. Relief from double taxation which could arise for the Company and its United States subsidiaries has been sought under the Canada — U.S. Reciprocal Tax Convention. Under a tentative agreement reached by the U.S. and Canadian authorities, tax deficiencies arising in the United States will be offset by Canadian tax refunds. No provision has, therefore, been made in the accompanying consolidated financial statements for additional liabilities, if any, which may arise in respect to these issues for years 1964 - 1973, inclusive.

Certain subsidiaries of the Company have an aggregate of approximately \$1,300,000 in tax losses available to reduce future taxable income. These losses will expire during the years 1974 - 1978 if not utilized. Provision for anticipated benefits from future utilization of these losses has not been recognized in the financial statements.

NOTE 9 — Pension Plans:

The Company and its subsidiaries have several pension plans which are generally contributory covering substantially all of their employees. Total pension costs accrued for 1973 and 1972 were \$651,000 and \$620,000 respectively.

The unfunded pension liability of \$1,033,223 is comprised of (a) \$442,355 relating to the Plan of a German subsidiary which is not currently being funded, and (b) \$590,868 relating to the Plan of a U.S. subsidiary which is being funded over a thirty year period which commenced in 1973.

NOTE 10 — Remuneration of Directors and Officers:

	1973	1972
	No. Amount	No. Amount
Directors at year-end	5	6
Past Directors	1	14
Aggregate remuneration as Directors	--	\$ 10,300
Officers at year-end	6	7
Past Officers	3	4
*Aggregate remuneration as Officers	\$341,367	381,787
Number of Officers who are also Directors	2	1

*These amounts include \$35,000 and \$76,620 paid by two subsidiaries in 1973 and 1972.

NOTE 11 — Commitments and Contingencies:

The Company and its subsidiaries are contingently liable for commitments and performance guarantees arising in the ordinary course of business. In the opinion of management, current claims against these commitments and guarantees will not result in material losses.

The Company's U.S. subsidiaries are subject to the rules and regulations of the Economic Stabilization Program of the United States. In the opinion of management the Company is in compliance with the regulations of the Program.

The Company and its subsidiaries have non-cancellable lease commitments for periods extending to twenty years. The minimum annual rent under these leases is \$520,000 in 1974 with lesser annual amounts in subsequent years as individual leases expire.

AUDITORS' REPORT

Price Waterhouse & Co.

chartered accountants

5 Place Ville Marie Montréal Qué. H3B 2G4 (514) 866-9701 Telex 05-268714

To the Shareholders of
Robert Morse Corporation Limited:

We have examined the consolidated balance sheet of Robert Morse Corporation Limited and subsidiary companies as at December 31, 1973 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

February 13, 1974



ROBERT MORSE
CORPORATION LIMITED

ORGANIZATION

CANADIAN DISTRIBUTION DIVISION

Montreal, Quebec

Arnold R. Tunis, *President and General Manager*

Merideth S. Hayes, *Vice President, Machine Tools*

J. Rees Alverson, *General Manager, Pacific Region Equipment and Supplies—British Columbia and Alberta*

Allen L. Matthews, *General Manager, Equipment and Supply—Ontario and Manitoba*

A. F. Mundy, *General Manager, Machine Tools—Quebec, Ontario, Alberta and British Columbia*

Jack E. Reichelt, *General Manager, Equipment and Supply—Atlantic and Quebec Regions, and Machine Tools—Atlantic Region*

Douglas C. Sproull, *General Manager, Forestry and Construction Equipment—Quebec*

CESSCO INTERNATIONAL LTD.

Edmonton, Alberta

William Suter, *President*

Neil McEwen, *Shop Superintendent, Manufacturing*

Don W. Rushton, *General Manager, Production Equipment*

J. H. Slobodan, *Manager, Engineering Department, Manufacturing*

Laurence Wenger, *General Manager, Pipeline*

Walter Royal, *General Manager, Mid-Western Compressor Supplies*

GALBRAITH & SULLEY LIMITED

Vancouver, British Columbia

Gordon S. Robertson, *President & General Manager*

J. A. L. Cavers, *Controller*

H. L. McBeath, *Sales Manager*

C. R. Thomas, *Manager of Engineering*

HOWE RICHARDSON SCALE COMPANY

Clifton, New Jersey

William J. Lifka, Jr., *President*

John W. Aquadro, *Vice President, Engineering*

Stephen R. Kelleher, *Vice President, Marketing*

Eugene F. Makl, *Vice President, Operations*

Robert L. Ohlweiler, *Vice President, Industrial Relations*

Russell J. Pederson, *Vice President, Finance*

George D. Wilkinson, *Vice President, Service*

Howe Richardson Scale Company of Canada Ltd.

Montreal, Quebec

Layton C. Merriam, *President*

Howe Richardson Scale Company Ltd.

Nottingham, England

T. Alan Shore, *Managing Director*

Chronos-Werk, Reuther & Reisert GmbH

Hennef, West Germany

Albrecht Breiden, *Managing Director*

Chronos-Richardson S.A.

Paris, France

JOHNSTON PUMP COMPANY

Glendora, California

A. W. Woodbury, *President*

Paul S. Chapman, *Vice President, Sales and Marketing*

Harry E. Madsen, *Vice President, Controller and Treasurer*

Frank W. Amason, *Executive Assistant*

H. A. J. Greutink, *Manager, Engineering*

C. H. Todd, *Director, Purchasing*